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Australian Energy Market Commission

Submitted online

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AEMC Draft Rule Determination - National Energy Retail Amendment (Strengthening protections for customers in hardship) 2018

AGL Energy (AGL) welcomes the opportunity to comment on the Australian Energy Market Commission (AEMC) Draft Rule Determination National Energy Retail Amendment (strengthening protections for customers in hardship) 2018 (Draft Rule).

AGL are broadly supportive of the AEMC's Draft Rule to help vulnerable customers who are having trouble paying their bills due to hardship. The AER Guidelines will help to deliver consistency across retailers in delivering information to consumers and providing greater transparency and should be targeted to uphold consistent minimum standards across retailers. Setting minimum standards of consumer protections for hardship outcomes allows retailers to innovate and provide over and above support for vulnerable customers, not just when they are experiencing hardship.

For example, AGL is a Founding Partner of the Thriving Communities Partnership which is a cross-sectoral initiative to improve outcomes for customers experiencing a period of vulnerability or financial hardship. AGL also announced new Affordability Package measures to build on our pre-existing programs to help vulnerable consumers including \$50 million of hardship debt relief and the extension to all states of automatic loyalty discounts to electricity customers who have been with AGL for at least two years.

The remainder of the submission provides insights from our experience in supporting customers with difficulty paying their bills. Our recommendations are based on either clarifying or ensuring the minimum standards developed through the Guideline promote long-term consumer interests and are consistent with the intended operation of the National Energy Retail Law (NERL).

Consistency for consumers

AGL support the drafting of 75A(2)(b)(ii) – consumer guidance on rights - to ensure consistency for consumers in understanding and accessing guidance from retailers. We consider this information is vital for customers, and welcome guidance from the AER through their consumer testing on the most effective wording to support this. The standardised statements the AER have shared with retailers on this element could be expanded. We encourage the AEMC and the AER to consider the requirements in Western Australia's Energy Code. For example, clause 6.10 includes requirements for the National Interpreter Symbol, multi-lingual services and TTY services.¹

¹ The Code of Conduct for the Supply of Electricity to Small Use Customers (Electricity Code) Western Australia



Guidance for retailers on minimum requirements

AGL supports the inclusion of the reference to matters that can give effect to minimum requirements as set out in section 44 of the NERL (75A(b)(i)) but do not consider this should be done through standardised statements and should instead fall under a separate section of 75A(b).

It is AGL's view the Guideline should set out the principles and outcomes the AER will have regard to when approving retailer hardship policies under 45 of the NERL. This could be achieved by removing section 75A(b)(i) and replacing it with a new part 75A(c) that focuses on guidance on these matters, rather than actionable statements. This would help ensure that the NERL intention of empowering retailers to define when a customer is in hardship is upheld while allowing retailers to understand what matters the AER will consider when approving policies. This would also allow the hardship policies to be reviewed holistically by the AER and to take into consideration the approach and evidence the retailer has developed their policy on.

Standardised statements regarding the minimum requirements have the risk of going to the operations of a business and therefore limit the flexibility for retailers to seek out the most effective operational approach to deliver their hardship programs. AGL strongly support this being left to retailers to innovate on and deliver solutions that suit their business and their customers.

The example action statements that the AER circulated in September indicate the potential massive impacts of action statements for retailer processes. While the AER and the AEMC have referenced a number of figures regarding hardship performance indicators that shows improvement is needed, it remains unclear what the AER's expectation of the overall goal of the hardship program is and therefore what appropriate indicators or results would be.

For this reason, AGL considers that the proposed action statements to give effect to the minimum requirements of the Law have the real and likely chance of imposing costly operational changes on retailers of untested methods for consumer outcomes. The current indicators if taken at face value, would likely [REDACTED] – this is not a practical solution where hardship programs are intended to support the most vulnerable consumers. We recommend considering a principles-based approach such as that utilised by the water industry.

Best practice

Yarra Valley Water (YVW) is widely recognised as best practice in supporting customers in financial difficulty with their Hardship Policy Framework.² They were awarded the Prime Ministers' Award for Excellence in Community Based partnerships with Kildonan and are considered to have the most comprehensive hardship assistance scheme in place.³

AGL notes that the assessment criteria in the YVW policy are a summary of indicators that *may* highlight a customer's need for additional assistance under their hardship program, rather than the

² https://www.sacoss.org.au/sites/default/files/public/Best_Practice_Case_Studies_CLIENT%20%28%29.pdf

³ https://www.sacoss.org.au/sites/default/files/public/Best_Practice_Case_Studies_CLIENT%20%28%29.pdf



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standardisation of requiring these matters to be indicators.⁴ Our expectation is that this type of approach should be adopted by the AEMC and the AER as it is a tried and tested model.

AGL therefore support the AEMC drafting the Final Rule to allow the AER to develop guidance on the matters that go to the minimum requirements (such as those used by YVW), rather than specific action statements that the retailer must include on these matters.

Finally, AGL would welcome the opportunity for further information regarding the evidence and insights the AER has gathered to help inform their proposed action statements and approach to hardship. This could include the 2017 AER hardship audit findings which would give greater understanding and insight in to the current practices of industry. This information would help inform the upcoming consultation processes for the statements and guidelines, should the AEMC make the final rule change in support of AER Guideline powers.

Should you have any questions or comments, please contact Kathryn Burela on 0498 001 328 or kburela@agl.com.au.

Regards

[Signed]

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General Manager Energy Markets Regulation

⁴ <https://www.yvw.com.au/about-us/organisation-overview/policies/hardship-policy>